

### Extension of Bonus Depreciation

Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#) )

**How to Apply:** The extension of the first-year depreciation deduction is generally effective for property placed in service after December 31, 2008. This benefit can be claimed when filing 2009 taxes.

### Election to Accelerate Recognition of Historic AMT/R&D Credits

Last year, Congress temporarily allowed businesses to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of bonus depreciation. The amount that taxpayers may accelerate is calculated based on the amount that each taxpayer invests in property that would otherwise qualify for bonus depreciation. This amount is capped at the lesser of six percent (6%) of historic AMT and R&D credits or \$30 million. The bill would extend this temporary benefit through 2009. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#) )

### Extension of Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to \$125,000 of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000. Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#))

**How to Apply:** Small business can obtain this credit when filing the 2009 tax return.

### Small Business Loss Carrybacks

Under current law, net operating losses (“NOLs”) may be carried back to the two taxable years

before the year that the loss arises (the “NOL carryback period”) and carried forward to each of the succeeding twenty taxable years after the year that the loss arises. For 2008, the bill would extend the maximum NOL carryback period from two years to five years for small businesses with gross receipts of \$15 million or less.. (from [Guide to Certain Individual and Business Income Tax Provisions](#))

**How to Apply:** This credit is claimed on the 2009 tax return.

### Delayed Recognition of Certain Cancellation of Debt Income

Under current law, a taxpayer generally has income where the taxpayer cancels or repurchases debt for an amount less than its adjusted issue price. The amount of cancellation of debt income (“CODI”) is the excess of the old debt’s adjusted issue price over the repurchase price. Certain businesses will be allowed to recognize CODI over 10 years (defer tax on CODI for the first

four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011.

**How to Apply:** Business can claim this when they file for taxes. For information on qualifications, visit [www.treasury.gov/recovery](http://www.treasury.gov/recovery) .

### Incentives to Hire Unemployed Veterans and Disconnected Youth

Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups; families receiving Temporary Assistance to Needy Families, certain veterans receiving food stamps or disability compensation, certain ex-felons, residents of designated communities, individuals in vocational rehabilitation, certain youths employed during the summer, certain food stamp recipients, certain recipients of SSI, and long-term recipients of family assistance. The bill creates two new targeted groups of prospective employees: unemployed veterans and disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

**How to Apply:** The participating business will receive the work opportunity tax credit when 2009 taxes are filed with the IRS. Visit [www.irs.gov](http://www.irs.gov/pub/irs-pdf/p954.pdf) or <http://www.irs.gov/pub/irs-pdf/p954.pdf>

### Small Businesses Capital Gains

Under current law, Section 1202 provides a fifty percent (50%) exclusion for the gain from the sale of certain small business stock held for more than five years. The amount of gain eligible for the exclusion is limited to the greater of 10 times the taxpayer's basis in the stock, or \$10 million gain from stock in that small business corporation. This provision is limited to individual investments and not the investments of a corporation. The non-excluded portion of section 1202 gain is taxed at the lesser of ordinary income rates or 28 percent, instead of the lower capital gains rates for individuals. The provision allows a seventy-five percent (75%) exclusion for individuals on the gain from the sale of certain small business stock held for more than five years. This change is for stock issued after the date of enactment and before January 1, 2011. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#) )

**How to Apply:** Visit [www.irs.gov](http://www.irs.gov) for more information.

### Temporary Small Business Estimated Tax Payment Relief

The bill reduces the 2009 required estimated tax payments for certain small businesses. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#) )

### **Temporary Reduction of S Corporation Built-In Gains Holding Period from 10 Years to 7 Years**

Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. However, following such a conversion, an S corporation must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from ten years to seven years for sales occurring in 2009 and 2010. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#) )

**How to Apply:** This provision will go into effect for businesses for taxable year beginning after December 31, 2008.

### **Repeal of Treasury Section 382 Notice**

Last year, the Treasury Department issued Notice 2008-83, which liberalized rules in the tax code that are intended to prevent taxpayers that acquire companies from claiming losses that were incurred by the acquired company prior to the taxpayer's ownership of the company. The bill would repeal this Notice prospectively. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#))

### **Treatment of Certain Ownership Changes**

The bill would clarify the application of section 382 to certain companies restructuring pursuant to the Emergency Economic Stabilization Act of 2008. (from [Full Summary of Provisions from the Senate Finance and House Ways & Means Committees](#))